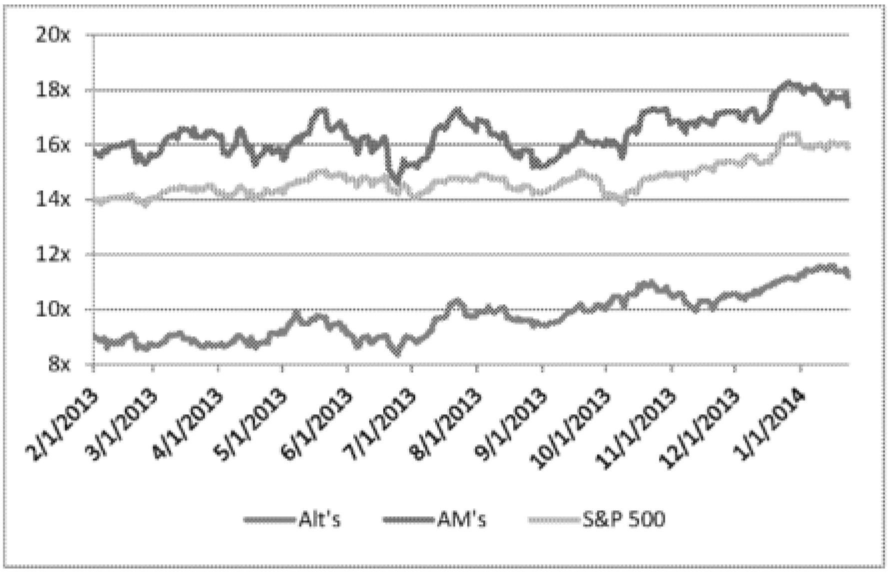
Figure 22 shows the Alts have made a little progress on narrowing their PE gap vs. traditional asset managers over the past year (also shown in Figure 20 numerically with the Alts narrowing the discount to traditional managers to 38% currently vs. 47% on average over the last 12 months). Overall, we do not see the Alts closing the P/E gap vs. traditional asset managers – despite their superior historical long-term performance and the solid secular growth case for alternative products. This is due to the more variable and cyclical nature of their business mix on top of a much more difficult to forecast business model. Still, we think there is a good case for the P/E gap to narrow, and this support our generally bullish view on the Alts space.

Figure 22: Average Forward P/Es (NTM) for Alts vs. Asset Managers



Source: Thomson Reuters and Deutsche Bank

Figure 23 summarizes our valuation and implied total return and forecast distribution yields. Overall, we see a median 21% total return for the group over the next 12 months with our Buy ratings having potential 22-30% total returns and our Hold ratings showing less than 10% ROI potential currently.

Figure 23: DB Summarized Valuation Metrics for the Alts

Ticker	Opinion	Market Cap ($bn) 01/26/14	Share Price 01/26/14	Price Target	Potential ROI to Target	Price Returns YTD-14	Price Returns 2013	Distribution Yield on 2014E
APO	**Hold**	$12.7	$32.20	**$31**	5.8%	1.9%	82.1%	9.5%
BX	**Buy**	$35.6	$31.13	**$39**	30.2%	-1.2%	102.1%	6.3%
CG	**Buy**	$11.4	$36.04	**$43**	24.6%	1.2%	36.8%	6.2%
KKR	**Hold**	$17.6	$24.56	**$25**	7.8%	0.9%	59.8%	6.5%
OAK	**Buy**	$8.9	$58.88	**$68**	21.8%	0.1%	29.3%	6.4%
Median Alts					**21.8%**	**0.9%**	**59.8%**	**6.4%**
Traditional Asset Mgrs						**-2.9%**	**42.4%**	
S&P 500			**$1,790.29**			**-3.1%**	**29.6%**	

Source: Thomson Reuters and Deutsche Bank